

**Austin Engineering Limited**  
**ACN 078 480 136**

**Notice of Annual General Meeting**

to be held at

**Date: Friday, 27 November 2015**

**Time: 10.30am**

**Place: Gallery Room 1, Level 2, Four Seasons Hotel, 199 George Street, Sydney, New South Wales**

**This is an important document and requires your attention**

This document should be read in its entirety.

If you are in any doubt about how to deal with this document, please consult your legal, financial or other professional advisor.

## Notice of Annual General Meeting

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Notice is given that an Annual General Meeting of shareholders of Austin Engineering Limited ACN 078 480 136 (the **Company**) will be held at 10.30am on Friday 27 November 2015 at the Gallery Room 1, Level 2, Four Seasons Hotel, 199 George Street, Sydney, New South Wales.

### Agenda

#### Financial statements and reports

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To receive and consider the financial statements and the reports of the Directors and the Auditor for the financial year ended 30 June 2015.

#### Retirement of Mr Paul Reading

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To note that Mr Paul Reading, a Non-Executive Director, retires by rotation in accordance with the Constitution and the ASX Listing Rules with effect from the end of the Meeting. Mr Reading has informed the Company that he is not seeking re-election as a Director.

#### Resolution 1 – Adoption of Remuneration Report

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To consider and, if thought fit, pass the following as an ordinary resolution under section 250R(2) of the Corporations Act 2001:

*'That the Remuneration Report for the year ended 30 June 2015 be and is hereby adopted'.*

##### Notes:

- (1) *The vote on this resolution is advisory only and does not bind the Directors or the Company.*
- (2) *If 25% or more of votes that are cast are voted against the remuneration report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a 'spill resolution') that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must stand for re-election.*

##### Voting exclusion statement

*The Company will disregard and not count any votes cast (in any capacity) on Resolution 1 by or on behalf of either or both the following persons:*

- (a) *a member of the Company's Key Management Personnel; or*
  - (b) *a Closely Related Party of a member of the Company's Key Management Personnel.*
- unless:*
- (c) *the person*
    - (i) *does so in relation to a resolution where they hold a Directed Proxy Form; or*
    - (ii) *is the Chairman of the Meeting and is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution; and*
  - (d) *the vote is not cast on behalf of a person described in paragraph (a) and (b) above.*

## **Resolution 2 – Election of Mr Charlie Rex Sartain as Non-Executive Director**

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To consider, and if thought fit, to pass the following as an ordinary resolution:

*'That Mr Charlie Rex Sartain, who having been appointed as a Director of the Company on 1 April 2015 in accordance with the Company's constitution, be elected as a Director of the Company.'*

## **Resolution 3 – Election of Mr John Robert Nicholls as Non-Executive Director**

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To consider, and if thought fit, to pass the following as an ordinary resolution:

*'That Mr John Robert Nicholls, who having been appointed as a Director of the Company on 1 September 2015 in accordance with the Company's constitution, be elected as a Director of the Company.'*

## **Resolution 4 – Approval for Grant of Performance Rights to Michael Buckland**

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*'That for the purpose of Listing Rule 10.14 and for all other purposes, approval be given for the grant of 304,436 Performance Rights to Michael Buckland, in accordance with the terms and conditions of the Company's Performance Rights Plan and as described in the Explanatory Memorandum accompanying this Notice of Meeting.'*

### **Voting exclusion statement**

*In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any Director of the entity who is eligible to participate in the Company's Performance Rights Plan and any of their associates. However, the Company need not disregard a vote if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

*In addition, pursuant to the Corporations Act, the Company's Key Management Personnel and their Closely Related Parties are not permitted to cast a vote as a proxy for another person who is permitted to vote, unless:*

- *the proxy holds a Directed Proxy Form; or*
- *the proxy is the Chairman of the Meeting and he is expressly authorised to exercise the proxy even though the resolution is a Remuneration Resolution.*

## **Resolution 5 – Ratification of Previous Issue of Options**

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To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the grant to LIM Asia Special Situations Master Fund Limited of 12,000,000 options to subscribe for fully paid ordinary shares in the Company comprise of 4,000,000 options with an exercise price of \$0.60, 6,000,000 options with an exercise price of \$1.00 and 2,000,000 options with an exercise price of \$1.75, exercisable on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”*

### **Voting exclusion statement**

*In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by:*

- *LIM Asia Special Situations Master Fund Limited (LIM); and*
- *any associate of LIM.*

*However, the Company need not disregard a vote if:*

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

**Dated: 27 October 2015**

**By order of the Board**



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Scott Richardson  
Company Secretary

## Notes

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- 1 The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the share register at 7.00pm (Sydney time) on Wednesday, 25 November 2015. Accordingly, those persons are entitled to attend and vote at the meeting.
- 2 If you are eligible, you may vote by attending the meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.
- 3 To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, the Company will supply it on request.
- 4 A member who is entitled to vote at the meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of the Company.
- 5 Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
- 6 The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.
- 7 To be effective, the proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding of the meeting or any adjourned meeting:
  - a) at its registered office at 173 Cobalt Street, Carole Park, Qld 4300;
  - b) by facsimile to its registered office on fax number +61 7 3271 3689; or
  - c) at its share registry, Advanced Share Registry Services:  
110 Stirling Highway, Nedlands, WA, 6009  
PO Box 1156, Nedlands, WA, 6909  
or fax number +61 8 9262 3723
- 8 Any proxy form received after this deadline including at the meeting will be treated as invalid.
- 9 A member of the Company's Key Management Personnel or their Closely Related Party must not, whether in person or by proxy, vote in their own right on the adoption of the Remuneration Report in Resolution 1.
- 10 A person appointed as proxy may vote or abstain from voting as he or she thinks fit except in the following circumstances:
  - a) The proxy holds a Directed Proxy Form;
  - b) Where the proxy is voting in relation to a Remuneration Resolution and the proxy is either a Key Management Personnel for the Company or a Closely Related Party and holds an Undirected Proxy Form; and
  - c) The proxy is required by law or the Company's Constitution to vote in a certain manner or abstain from voting.
- 11 Clause 10(b) does not apply if the Chairman of the meeting is appointed as proxy and his appointment expressly authorises the Chairman to exercise the proxy even if the resolution is a Remuneration Resolution.

- 12 If you appoint the Chairman as your proxy and have not directed him how to vote, you are expressly authorising the Chairman to cast your Undirected Proxy Form in accordance with his intentions set out below.
- 13 The Chairman intends to vote all Undirected Proxy Forms in favour of all resolutions including Remuneration Resolutions.
- 14 The following definitions apply in this document:

**Closely Related Party** means the closely related parties of Key Management Personnel as defined in the Corporations Act 2001, and includes certain members of their family, dependants and companies they control.

**Directed Proxy Form** means a proxy form which specifies how the proxy is to vote.

**Key Management Personnel** of the Company are the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2015.

**Remuneration Resolution** means a resolution connected directly or indirectly with the remuneration of a member of the Key Management Personnel and includes Resolutions 1 and 4 in this Notice of Meeting.

**Undirected Proxy Form** means a proxy form which does not specify how the proxy is to vote.

## Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist shareholders with their consideration of the resolutions to be put to the Annual General Meeting to be held at 10.30am on Friday 27 November 2015 at Gallery Room 1, Level 2, Four Seasons Hotel, 199 George Street, Sydney, New South Wales.

The Explanatory Memorandum should be read with, and form part of, the accompanying Notice of Annual General Meeting.

### 1 Financial Statements and Reports

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As required by law, the financial report, Directors' report and Auditor's report are laid before the Annual General Meeting. Members will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports. Members will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit and content of the Auditor's report. There is no requirement however for members to approve the reports.

### 2 Resolution 1 – Adoption of the Remuneration Report

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The Corporations Act 2001 requires that a resolution be put to the members to adopt the Remuneration Report as disclosed in the Directors' report contained in the Company's 2015 Annual Report. The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting.

The remuneration report:

- Discusses the Company's policy on remuneration of Directors and the link between remuneration and the Company's performance; and
- Details the remuneration arrangements in place for each Director.

Under Section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Company or its Directors. Although the vote is advisory, the Directors recognise this vote as an indication of shareholder sentiment and have careful regard to the outcome of the vote and any discussion when setting the Company's remuneration policies.

The Corporations Act states that if 25% of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs then shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) must be considered for re-election.

Key Management Personnel and their Closely Related Parties are excluded from voting on this resolution in certain circumstances – please see the notes to Resolution 1.

The Chairman of the meeting intends to vote all Undirected Proxy Forms for this resolution.

***As the Directors have a personal interest in the proposed Resolution 1, they make no recommendation as to how shareholders should vote on the Resolution.***

### 3 Resolutions 2 and 3 – Background

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ASX Listing Rule 14.5 and clause 3.6 of the Company's constitution requires the Company to hold an election of Directors each year.

In accordance with ASX Listing Rule 14.4 and the Company's constitution which requires that directors rotate according to their length of service, Mr Paul Reading, the Company's Non-Executive Chairman, retires at the close of this Annual General Meeting. Mr Reading has informed the Company that he will not offer himself for re-election. The Board notes with appreciation Mr Reading's service and contribution to the Company since his first appointment to the Board in 2009. The Board also thanks Mr Reading for his efforts as Chairman since 2010.

Also in accordance with the constitution, Mr Sartain and Mr Nicholls, who were appointed as Non-Executive Directors by the Board on 1 April 2015 and 1 September 2015 respectively, are to be elected by shareholders as Non-Executive Directors of the Company.

Profiles of Mr Sartain and Mr Nicholls follow.

Appropriate background checks have been carried out on all Directors in accordance with the ASX Corporate Governance Principles and Recommendations and no materially adverse information was revealed.

The Board regularly reviews the independence of each Non-Executive Director and undertakes an annual review in accordance with the ASX Corporate Governance Principles and Recommendations, the Corporations Act and the Board Charter. The most recent reviews were undertaken during the 2015 financial year. The Board considers all of the current Non-Executive Directors to be independent, including each of the Directors seeking election.

### 4 Resolution 2 – Election of Mr Charlie Rex Sartain as Non-Executive Director

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Mr Sartain is a mining engineer with more than 30 years' experience in the mining industry. In the earlier part of his career, Mr Sartain had extensive executive experience in MIM Holdings Limited, culminating in his appointment as its most senior executive in Latin America. After the takeover of that Company by Xstrata PLC he then spent nine years as CEO of Xstrata's global copper business, which progressively became Xstrata's most profitable commodity division, with operations and projects spanning eight countries. Charlie is currently a Member of the University of Queensland Senate, Chairman of the Advisory Board of the Sustainable Minerals Institute and a Board member of the Wesley St Andrews Research Institute and a non-Executive director of ALS Limited.

**Qualifications:** B. Eng (Bachelor of Engineering (Hons))(Mining), University of Melbourne; Fellow, Australasian Institute of Mining and Metallurgy; Fellow, Australian Academy of Technological Sciences and Engineering.

**Special responsibilities:** None.

**Directorships held in other listed entities:** ALS Limited.

***The Directors (with Charlie Sartain abstaining) recommend that shareholders vote in favour of this Resolution.***

### 5 Resolution 3 – Election of Mr John Robert Nicholls as Non-Executive Director

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Mr Nicholls has established manufacturing businesses throughout Asia including those engaged in steel fabrication. He has a long association with the mining industry domestically and internationally as a senior executive and a Director of companies engaged in the sector. Additionally, he has extensive

public and private company experience as a Director since 1995 and prior to that as a Director of subsidiaries/ associates of public companies in various jurisdictions.

**Qualifications:** B.Com (Bachelor of Commerce), MBA.

**Special responsibilities:** None.

**Directorships held in other listed entities:** E&A Ltd.

***The Directors (with John Nicholls abstaining) recommend that shareholders vote in favour of this Resolution.***

## **6 Resolution 4 - Approval of Grant of Performance Rights to Michael Buckland**

### **6.1 Background - Remuneration policy**

The performance of the Company depends upon the quality of its executives and Executive Director. Their compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives.

In deciding the remuneration and incentives of Mr Buckland, the Board considers that there should be an appropriate mix of remuneration comprising cash and securities to link their remuneration to the financial performance of the Company.

Equity-based incentives consistent with the Company's remuneration policy better aligns the performance of the Executive Director with the Company's financial performance. The Board also believes that an equity-based remuneration component helps it to attract and retain the best executives.

The Directors consider the remuneration policy to be a sensible and well-balanced policy which allows them to adjust the remuneration mix appropriately to the Company's changing circumstances.

### **6.2 Listing Rule requirements**

Listing Rule 10.14 provides that a listed company must not permit a director to acquire securities under an employee incentive scheme without shareholder approval.

Accordingly, approval is sought under Listing Rule 10.14 for the proposed grant of 304,436 Performance Rights to Michael Buckland as part of a broader executive incentive program under the Company's Performance Rights Plan.

### **6.3 Remuneration of Michael Buckland**

Michael Buckland's remuneration package for the year ended 30 June 2015 (as detailed in the Company's 2015 Annual Report) comprised:

<b>Salary &amp; Fees \$</b>	<b>Short term benefits (other) \$</b>	<b>Long term benefits (leave) \$</b>	<b>Share based payments (options/ rights) \$</b>	<b>Total \$</b>
786,596	35,004	53,967	25,011	900,578

#### 6.4 Proposed grant of performance rights

The Performance Rights are proposed to be granted on the terms and conditions of the Company's Performance Rights Plan. The Plan Rules are available for inspection on request from the Company Secretary.

Words and expressions used in this paragraph have the same meaning as those words and expressions in the Plan Rules.

The key commercial features of the proposed grant are:

##### (a) Grant of performance rights

<b>Grant Condition</b>	
<b>Number of Performance Rights</b>	304,436
<b>Grant Date</b>	If approved, expected to be granted on or about 27 November 2015 but in any event, no later than 1 month after the date of the meeting.
<b>Amount payable on grant or exercise of Performance Rights</b>	Nil
<b>Performance Period</b>	3 financial years ending 30 June 2018
<b>Expiry Dates</b>	5 years after the grant of Performance Rights

##### (b) Performance conditions

The Performance Rights will vest as follows:

- 50% will vest on meeting a relative Total Shareholder Return (**TSR**) target (**TSR Performance Rights**); and
- 50% will vest on meeting a relative Earnings Per Share (**EPS**) growth target (**EPS Performance Rights**).

##### (i) Relative TSR performance criteria

50% of the Performance Rights granted to Mr Buckland are subject to a **Relative TSR Performance Condition** (as described below) over the Performance Period.

TSR performance criteria is determined by comparing the Company's performance to the performance of a group of peer companies selected by the Board (**Peer Group**).

These Performance Rights will vest as follows:

<b>TSR relative to Peer Group</b>	<b>% of Performance Rights assessed under TSR Performance Condition to vest</b>
Company ranks in top half of the Peer Group	50%
Company outperforms all members of the Peer Group	100%

TSR will be calculated by the Board as the difference in share price over the Performance Period, plus the value of shares earned from notionally reinvesting dividends received over this period, expressed as a percentage of the share price at the beginning of the Performance Period.

TSR will be determined in each case on the following basis:

- (A) dividends are re-invested on the ex-dividend date;
- (B) share prices are calculated as the volume weighted average sale price of shares on the ASX for the 3 months preceding the start of the Performance Period and the 3 month period up to and including the end of the Performance Period;
- (C) tax and any franking credits (or similar) will be ignored; and
- (D) the Board has the discretion to disregard any abnormal, non-recurring or one-off items.

(ii) **Relative EPS performance criteria**

50% of the Performance Rights granted will be subject to a **Relative EPS Growth Performance Condition** (as described below) over the Performance Period.

These Performance Rights will vest as follows:

<b>EPS Growth relative to Peer Group</b>	<b>% of Performance Rights assessed under EPS Growth Performance Condition to vest</b>
Company ranks in top half of the Peer Group	50%
Company outperforms all members of the Peer Group	100%

EPS will be determined by the Board in accordance with Accounting Standard AASB 133 'Earnings per Share' subject to the adjustments as described below.

In determining EPS, the Board has the discretion to disregard earnings reasonably attributable to businesses acquired by the Group after 1 July 2015 and/or abnormal one off events.

(c) **Exercise period and lapse of vested performance rights**

Performance Rights cannot be exercised if at the time of the exercise of the Performance Right the exercise of the Performance Right would, or in the reasonable opinion of the Board, be likely to result in a contravention of the Constitution of the Company, ASX's Listing Rules or the Corporations Act 2001.

6.5 **Discussion and proposed analysis of the proposed grant of performance rights**

(a) **Cost to the Company**

The Performance Rights will not be quoted on ASX and accordingly have no readily identifiable market value.

The Performance Rights will be valued for accounting purposes using the principles set out in AASB 2 'Share-Based Payment'. This standard requires the valuation models used to take into account the relationship between a number of variables principally being the share price, the nil

Performance Right exercise price, the time to expiry and the volatility of the Company's underlying share price.

For the TSR Performance Rights, which are market based hurdle conditions, a Monte Carlo simulation based model to test the likelihood of attaining the Relative TSR Performance Condition against a comparator group of entities. The Monte Carlo simulation model incorporates the impact of this market condition on the value of the TSR Performance Rights.

For the EPS Performance Rights, which are non-market based hurdle conditions, the Black-Scholes-Merton model has been used.

The valuation will be carried out after the date of grant once all of the inputs to the valuation model are certain. However, for illustrative purposes, based on an indicative valuation obtained on 6 October 2015, the Performance Rights could have a value and accounting cost to the Company as follows:

TSR Performance Rights (\$)	EPS Performance Rights (\$)	Average total (\$)
\$0.15	\$0.37	\$0.26

The material assumptions used in the application of the methodology to arrive at this indicative value are:

- The indicative grant date of the Performance Rights is 6 October 2015;
- The closing share price on the grant date was \$0.37;
- The exercise price of each Performance Right is nil;
- The expected life is 2.73;
- A risk-free rate of 1.83%;
- Volatility of the underlying shares to be 50%; and
- Expected dividend yield of 0%.

Shareholders should be aware that this is an indicative valuation only for illustrative purposes. The actual accounting expense may be different due to differences in the final inputs such as the date of grant, which, subject to approval is expected to be on or about 27 November 2015. Given the proposed rights are based on non-market based performance conditions, the actual accounting expense will also be impacted by management's assessment of the likelihood of the performance conditions being achieved.

**(b) Impact on capital structure**

Until exercised, the grant of Performance Rights will not impact on the number of ordinary shares on issue in the Company. If all of the proposed Performance Rights were exercised, an additional 304,456 fully paid ordinary shares may be issued representing approximately 0.2% of the total issued share capital of the Company as at the date of this notice.

**(c) Tax consequences**

As far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed issue of Performance Rights.

**(d) Use of funds**

No funds will be raised from the granting for the Performance Rights.

6.6 **Other information required by Listing Rule 10.15A**

The following information is provided for the purposes of Listing Rule 10.15A:

<b>Maximum number of Performance Rights that may be acquired by Mr Buckland</b>	304,436 Performance Rights.
<b>Price for each Performance Right to be acquired under the scheme</b>	Nil.
<b>Names of persons referred to in rule 10.14 who received securities under the scheme since the last approval, number of securities received and acquisition price for each security</b>	Mr Michael Buckland 164,672 Performance Rights - \$Nil acquisition price
<b>Names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme</b>	Mr Michael Buckland.
<b>Terms of loan in relation to the grant of Performance Rights</b>	Not applicable.
<b>Required Statements</b>	Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approval for the issue of securities obtained under Listing Rule 10.14.  Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under Listing Rule 10.14.
<b>Date by which Performance Rights will be granted</b>	Within 1 month after the date of approval.
<b>Voting exclusion statement</b>	A voting exclusion applies to this resolution – please see the notes to Resolution 4.

***The Directors (with Michael Buckland abstaining) recommend that shareholders vote in favour of this Resolution.***

## **7 Resolution 5 – Ratification of Previous Issue of Options**

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### **7.1 Background**

On 29 July 2015, the Company issued to LIM Asia Special Situations Master Fund Limited (**LIM**) 12,000,000 unlisted options to subscribe for ordinary shares in the Company, comprising the following three tranches:

- (a) 4,000,000 options with an exercise price of \$0.60 each;
  - (b) 6,000,000 options with an exercise price of \$1.00 each; and
  - (c) 2,000,000 options with an exercise price of \$1.75 each,
- (together the **LIM Options**).

Each option tranche is exercisable on or before 31 July 2018. A summary of the terms and conditions of the grant is set out in the Annexure to this Explanatory Memorandum.

### **7.2 Shareholder approval**

Resolution 5 seeks ratification by shareholders of the issue of the LIM Options.

ASX Listing Rule 7.1 prohibits an ASX listed company, except in certain cases, from issuing or agreeing to issue new equity securities without the approval of its shareholders, if the number of securities issued or agreed to be issued by the company during the previous 12 months exceeds 15% of the total number of securities on issue at the commencement of that 12 month period (**15% Placement Capacity**).

ASX Listing Rule 7.4 provides that an issue of equity securities made without prior approval of shareholders may be treated as having been made with shareholder approval if:

- (a) at the time of the issue, it did not breach ASX Listing Rule 7.1; and
- (b) the shareholders of the company subsequently ratify the issue in general meeting.

The issue of the LIM Options was made in accordance with Listing Rule 7.1, accordingly, the Company seeks shareholder ratification in accordance with Listing Rule 7.4. If this resolution is approved it would have the effect of allowing the issue of the LIM Options to be treated as having been made with shareholder approval so they will not be counted towards the Company's 15% Placement Capacity under ASX Listing Rule 7.1.

**7.3 Information required by ASX Listing Rule 7.5**

For the purposes of ASX Listing Rule 7.5 the Company provides the following information (in addition to information contained in the Notice of Meeting and elsewhere in this Explanatory Memorandum) for the purposes of shareholder ratification under Listing Rule 7.4:

<b>Number of securities issued</b>	12,000,000 unlisted options.
<b>The price at which the securities were issued</b>	The LIM Options were granted as part consideration for a three year subordinated loan from LIM announced on 20 July 2015.
<b>The terms of the securities</b>	A total of 12,000,000 unlisted options expiring on 31 July 2018 with the following exercise prices: <ul style="list-style-type: none"> <li>• 4,000,000 options exercisable at \$0.60;</li> <li>• 6,000,000 options exercisable at \$1.00; and</li> <li>• 2,000,000 options exercisable at \$1.75.</li> </ul>
<b>Names of allottee</b>	LIM Asia Special Situations Master Fund Limited
<b>The use (or intended use) of the funds raised</b>	The subordinated loan from LIM will assist in the reduction of the Company's net debt and refinancing of the remaining syndicated senior bank debt.
<b>Voting exclusion statement</b>	A voting exclusion statement in relation to Resolution 5 is included in the Notice of Meeting.

***The Directors unanimously recommend that shareholders in favour of this Resolution.***

## Annexure

### Option terms and conditions

#### Entitlement

- 1 Subject to and conditional upon any adjustment in accordance with these conditions, each Option entitles the holder to subscribe for one fully paid ordinary share (**Share**) upon payment of the Exercise Price.

#### Exercise Price

- 2 The Exercise Price of each Option is:
  - (a) \$0.60 (in respect of 4,000,000 Options expiring on 31 July 2018);
  - (b) \$1.00 (in respect of 6,000,000 Options expiring on 31 July 2018); and
  - (c) \$1.75 (in respect of 2,000,000 Options expiring on 31 July 2018).(the **Exercise Price**).

#### Exercise Period

- 3 An Option is exercisable at any time on or before 5.00pm (Sydney time) on 31 July 2018 (the **Expiry Date**). Options not exercised by the Expiry Date lapse.

#### Manner of exercise of Options

- 4 Each Option may be exercised by notice in writing addressed to the Borrowers registered office. The minimum number of Options that may be exercised at any one time is the lower of 100,000 Options and the total number of Options held by the Option holder. Payment of the Exercise Price for each Option must accompany each notice of exercise of option. All cheques must be payable to the Borrower and be crossed 'not negotiable'.

#### Ranking of Shares

- 5 Shares issued on the exercise of Options will rank equally with all existing shares on and from the date of issue in respect of all rights issues, bonus share issues and dividends which have a record date for determining entitlements on or after the date of issue of those shares

#### Timing of issue of shares

- 6 After an Option is validly exercised, the Borrower must:
  - (a) If there is no excluded information for the purpose of section 708A of the Corporations Act, as soon as possible:
    - (i) issue and allot the share; and
    - (ii) do all such acts matters and things to obtain the grant of quotation for the shares on ASX no later than 5 business days from the date of exercise of the Option; and
    - (iii) lodge with ASX a notice which complies with section 708A(6) of the Corporations Act.
  - (b) If there is excluded information for the purpose of section 708A of the Corporations Act, as soon as possible after there is no excluded information and, in any event, no later than 1 month after the date of exercise of the Option (the **Issue Date**):
    - (i) issue and allot the share; and

- (ii) do all such acts matters and things to obtain the grant of quotation for the shares on ASX no later than 5 business days from the Issue Date; and
- (iii) lodge with ASX a notice which complies with section 708A(6) of the Corporations Act.

#### **Options transferrable**

- 7 Options may be transferred in the same manner as shares and may be exercised by any other person or body corporate.

#### **Participation in new issues**

- 8 An Option holder may participate in new issues of securities to holders of shares only if and to the extent that:
- (a) an Option has been exercised; and
  - (b) a share has been issued in respect of the exercise before the record date for determining entitlements to the new issue.
- 9 The Borrower must give to the Option holder such notice of any new issue required by the ASX Listing Rules.

#### **Adjustment for bonus issues of Shares**

- 10 If the Borrower makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
- (a) the number of shares which must be issued on the exercise of an Option will be increased by the number of shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
  - (b) no change will be made to the Exercise Price.

#### **Adjustment for rights issue**

- 11 If the Borrower makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N + 1}$$

O = the old Exercise Price of the Option.

E = the number of underlying shares into which one Option is exercisable.

P = the average market price per share (weighted by reference to volume) of the underlying shares during the 5 trading days ending on the day before the ex-rights date or ex entitlements date.

S = the Purchase Price of a share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).

N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

## **Reconstructions**

- 12 If there is any reconstruction of the issued share capital of the Borrower, the number of shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which complies with the Listing Rules (which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders and subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of an Option will remain unchanged.

**Proxy Form**

If your address as shown here is incorrect mark "X" here and write correct address

**Step 1 - Appointment of Proxy**

I/we being member/s of **Austin Engineering Limited** and entitled to attend and vote hereby appoint

The Chairman of the Meeting (mark with an "X")

**OR**

Write here the name of your proxy if someone other than the Chairman of the Meeting

or failing the person named, or if no person is named, the **Chairman of the Meeting**, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at Gallery Room 1, Level 2, Four Seasons Hotel, 199 George Street, Sydney, New South Wales, on Friday 27 November 2015 at 10:30am.

**Important notice – appointment of the Chairman as your proxy for Resolutions 1 and 4**

By appointing the Chairman of the Meeting as your proxy, you expressly authorise the Chairman to vote in favour of Resolutions 1 and 4, even though the resolution is connected directly or indirectly with the remuneration of Key Management Personnel.

*The Chairman intends to vote all undirected proxies in favour of all resolutions.*

**If you appoint the Chairman as your proxy and you do not wish the Chairman to vote in favour of any Resolution, you may direct the Chairman to vote against that Resolution or abstain from voting on that Resolution by marking the appropriate box opposite that Resolution below.**

**Step 2 - Proxy Voting Instructions**

If you wish to instruct your proxy how to vote, insert "X" in the appropriate box against each Resolution set out below. If you do not instruct your proxy how to vote on a Resolution, your proxy may vote as they think fit or abstain from voting. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<i>Resolution 1 – Adoption of the Remuneration Report</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 2 – Election of Mr Charlie Rex Sartain as Non-Executive Director</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 3 – Election of Mr John Robert Nicholls as Non-Executive Director</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 4 – Approval for Grant of Performance Rights to Michael Buckland</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Resolution 5 – Ratification of Previous Issue of Options</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Step 3 - Signature of Securityholders - This section must be completed**

Individual or first shareholder	Shareholder 2	Shareholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

This section must be signed in accordance with the instructions overleaf to enable your directors to be implemented. In addition to signing the proxy form, please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone Number

## How to complete this Proxy Form

### 1. Your name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Security holders sponsored by a broker should advise their brokers of any changes. **Please note: you cannot change ownership of your securities using this form.**

### 2. Appointment of a Proxy

If you wish to appoint the chairman of the meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the chairman of the meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the chairman of the meeting will be your proxy. A proxy need not be a shareholder of the company.

### 3. Voting on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shares will be voted in accordance with such directions unless you indicate only a portion of your voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as they chose (except as noted elsewhere in relation to resolutions directly or indirectly connected to the remuneration of the Company's Key Management Personnel). If you mark more than one box against a Resolution your vote on that Resolution will be invalid. If you wish to appoint as your proxy a director of the Company (other than the chairman of the meeting) or other member of the Key Management Personnel of the Company whose remuneration details are set out in the Remuneration Report, or their Closely Related Parties, you should specify how they must vote on each of Resolutions 1 and 4 by completing the "For", "Against" or "Abstain" boxes on the proxy form. If you do not do that in relation to either of Resolutions 1 and 4 your proxy will not be able to exercise your vote on your behalf for that Resolution.

If you appoint the chairman of the meeting as your proxy in relation to Resolutions 1 and 4, but do not complete any of the boxes "For", "Against" or "Abstain" opposite the Resolution on the proxy form, you will be expressly authorising the chairman of the meeting to vote in favour of those Resolutions. If you wish to appoint the chairman of the meeting as proxy with a direction to vote against, or to abstain from voting on any Resolution, you must specify this by completing the "Against" or "Abstain" boxes on the proxy form.

### 4. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and to vote on your behalf. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry (see contact details below) or you may copy this Proxy Form.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that Proxy Form. If the Proxy Forms do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of your votes. Fractions of votes will be disregarded; and
- return both forms together in the same envelope.

### 5. Signing Instructions

You must sign this Proxy Form as follows in the spaces provided:

- Individual:** Where the holding is in one name, the holder must sign.
- Joint holding:** Where the holding is in more than one name, all of the shareholders must sign
- Power of attorney:** To sign under Power of Attorney, you must have already lodged the Power of Attorney with the Company's share registry. If you have not previously lodged the Power of Attorney, please attach a notarially certified photocopy of it to this Proxy Form when you return it.
- Companies:** Where the company has a sole director who is also the company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a company secretary, a sole director can sign alone. Please indicate the office held by signing in the appropriate place. If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry (see address details below).

### Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the share registry address given below **not later than 48 hours before** the commencement of the meeting i.e. no later than 10.30am on Wednesday 25 November 2015. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

### Address of Company's Share Registry

*Proxies can be delivered, mailed or faxed to:*

Advanced Share Registry Ltd  
110 Stirling Highway, Nedlands, Western Australia, 6009  
PO Box 1156, Nedlands, Western Australia 6909  
Telephone: +61 8 9389 8033  
Facsimile: +61 8 9262 3723